

HOUSE BILL NO. 115

INTRODUCED BY MCNUTT

BY REQUEST OF THE PROPERTY TAX EXEMPTION STUDY COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING THE LAWS RELATING TO THE EXEMPTION OF PROPERTY FROM PROPERTY TAXATION; ~~LIMITING THE ACREAGE OF PROPERTY THAT IS TAX-EXEMPT FOR CHURCHES AND PARSONAGES; ALLOWING THE CHURCH EXEMPTION TO EXTEND TO EDUCATIONAL OR YOUTH RECREATIONAL FACILITIES OPEN TO THE PUBLIC; LIMITING THE ACREAGE OF PROPERTY THAT IS TAX-EXEMPT FOR CHURCHES AND PARSONAGES; DEFINING "CLERGY"; LIMITING THE ACREAGE EXEMPTION FOR EDUCATIONAL PROPERTY AND REQUIRING AN ATTENDANCE POLICY, CURRICULUM, AND INSTRUCTION; PROVIDING THAT UP TO 15 ACRES OF PROPERTY PURCHASED FOR CHARITABLE USE IS EXEMPT AT THE TIME OF PURCHASE; PROVIDING THAT IF EXEMPT PROPERTY IS NOT USED FOR A CHARITABLE PURPOSE WITHIN 8 YEARS OR IS SOLD, THEN LOST TAX REVENUE MUST BE REPAYED; PROVIDING THAT THE REPAYMENT AMOUNT IS A LIEN UPON THE PROPERTY; LIMITING THE ACREAGE EXEMPTION FOR EDUCATIONAL PROPERTY AND REQUIRING AN ATTENDANCE POLICY, CURRICULUM, AND INSTRUCTION; PROVIDING THAT PROPERTY PURCHASED FOR CHARITABLE USE IS EXEMPT AT THE TIME OF PURCHASE; PROVIDING THAT IF EXEMPT PROPERTY IS NOT USED FOR A CHARITABLE PURPOSE WITHIN 8 YEARS OR IS SOLD, THEN LOST TAX REVENUE MUST BE REIMBURSED~~ REPAID; PROVIDING THAT THE REIMBURSEMENT REPAYMENT AMOUNT IS A LIEN UPON THE PROPERTY; DELETING THE TAX EXEMPTION FOR PROPERTY AND THE EXEMPTION FOR FEES ON MOTOR VEHICLES IN THE STATE USED EXCLUSIVELY FOR FILMING MOTION PICTURES; AMENDING SECTIONS 15-6-134, 15-6-138, 15-6-201, 15-7-102, 15-8-111, 15-32-405, ~~61-3-301, 61-3-503, 61-3-506, 61-3-529, 61-3-560, AND 61-10-214, MCA; REPEALING SECTIONS 15-6-215, 15-24-305, 61-3-507, AND 61-3-520, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE.~~"

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) subject to 15-6-201~~(1)(z)~~(1)(bb) and ~~(1)(aa)~~ (1)(cc) and subsections (1)(f) and (1)(g) of this section, all land, except that specifically included in another class;

(b) subject to 15-6-201~~(1)(z)~~(1)(bb) and ~~(1)(aa)~~ (1)(cc) and subsections (1)(f) and (1)(g) of this section, all improvements, including trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;

(c) the first \$100,000 or less of the taxable market value of any improvement on real property, including trailers, manufactured homes, or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than \$15,000 for a single person or \$20,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (1)(c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 700 lineal yards;

(e) subject to 15-6-201~~(1)(z)~~(1)(bb), all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

(f) (i) single-family residences, including trailers, manufactured homes, or mobile homes;

(ii) rental multifamily dwelling units;

(iii) appurtenant improvements to the residences or dwelling units, including the parcels of land upon which the residences and dwelling units are located and any leasehold improvements; and

(iv) vacant residential lots; and

(g) (i) commercial buildings and the parcels of land upon which they are situated; and

(ii) vacant commercial lots.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402, 15-24-1501, and 15-24-1502, property described in subsections (1)(a), (1)(b), (1)(e), (1)(f), and (1)(g) of this section is taxed at:

(i) 3.40% of its taxable market value in tax year 2003;

(ii) 3.3% of its taxable market value in tax year 2004;

(iii) 3.22% of its taxable market value in tax year 2005;

(iv) 3.14% of its taxable market value in tax year 2006;

(v) 3.07% of its taxable market value in tax year 2007; and

(vi) 3.01% of its taxable market value in tax years after 2007.

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at the rate provided in subsection (2)(a) of its taxable market value multiplied by a percentage figure based on income and determined from the following table:

Income	Income	Percentage
Single Person	Married Couple	Multiplier
	Head of Household	
\$0 - \$ 6,000	\$0 - \$8,000	20%
\$6,001 - \$9,200	\$8,001 - \$14,000	50%
\$9,201 - \$15,000	\$14,001 - \$20,000	70%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department. The adjustment to the income levels is determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1995; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a).

(3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

Section 2. Section 15-6-138, MCA, is amended to read:

"15-6-138. (Temporary) Class eight property -- description -- taxable percentage. (1) Class eight property includes:

(a) all agricultural implements and equipment that are not exempt under 15-6-201~~(4)(bb)(1)(dd)~~;

(b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-201~~(4)(r)(1)(t)~~, and supplies except those included in class five;

(c) all oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and similar equipment that is skidable, portable, or movable, tools that are not exempt under 15-6-201~~(4)(r)(1)(t)~~, and supplies except those included in class five;

(d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors as provided in 15-6-201, and supplies except those included in class five;

(e) all goods and equipment that are intended for rent or lease, except goods and equipment that are specifically included and taxed in another class;

(f) special mobile equipment as defined in 61-1-104;

(g) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(h) x-ray and medical and dental equipment;

(i) citizens' band radios and mobile telephones;

(j) radio and television broadcasting and transmitting equipment;

(k) cable television systems;

(l) coal and ore haulers;

(m) theater projectors and sound equipment; and

(n) all other property that is not included in any other class in this part, except that property that is subject to a fee in lieu of a property tax.

(2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

(3) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(4) Class eight property is taxed at 3% of its market value.

(5) (a) If, in any year beginning with tax year 2004, the percentage growth in inflation-adjusted Montana wage and salary income is at least 2.85% from the year prior to the base year, then the tax rate for class eight property will be reduced by 1% each year until the tax rate reaches zero.

(b) For each tax year, the base year is the year 3 years before the applicable tax year and the target year is the year 2 years before the applicable tax year.

(c) The department shall calculate the percentage growth in subsection (5)(a) by October 30 of each target year by using the formula $(W/CPI) - 1$, where:

(i) W is the Montana wage and salary income for the calendar base year divided by the Montana wage and salary income for the calendar year prior to the base year; and

(ii) CPI is the consumer price index for the calendar base year used in subsection (5)(c)(i) divided by the consumer price index for the year prior to the most current calendar year prior to the base year used in subsection (5)(c)(i).

(d) For purposes of determining the percentage growth in subsection (5)(a), the department shall use the bureau of economic analysis of the United States department of commerce Montana wage and salary disbursements, fall SA07 (state annual) for the target year wage and salary data series.

(e) Inflation must be measured by the consumer price index, U.S. city average, all urban consumers (CPI-U), using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

(6) The class eight property of a person or business entity that owns an aggregate of \$5,000 or less in market value of class eight property is exempt from taxation. (Repealed on occurrence of contingency--secs. 27(2), 31(4), Ch. 285, L. 1999.)"

Section 3. Section 15-6-201, MCA, is amended to read:

"15-6-201. Exempt categories. (1) The following categories of property are exempt from taxation:

(a) except as provided in 15-24-1203, the property of:

(i) the United States, except:

(A) if congress passes legislation that allows the state to tax property owned by the federal government or an agency created by congress; or

(B) as provided in 15-24-1103;

(ii) the state, counties, cities, towns, and school districts;

(iii) irrigation districts organized under the laws of Montana and not ~~operating~~ operated for gain or profit;

(iv) municipal corporations;

(v) public libraries; and

(vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

(b) buildings, ~~with land that they occupy~~ and furnishings in the buildings; that are owned by a church and used for actual religious worship or for residences of the clergy, ~~not to exceed one residence for each member of the clergy~~, NOT TO EXCEED ONE RESIDENCE FOR EACH MEMBER OF THE CLERGY, together with the land that the buildings occupy and adjacent land reasonably necessary for convenient use of the buildings, WHICH MUST BE IDENTIFIED IN THE APPLICATION BUT MAY not to exceed 15 acres for a church or 1 acre for a clergy residence after subtracting any area required by zoning, building codes, or subdivision requirements, AND ALL LAND AND IMPROVEMENTS USED FOR EDUCATIONAL OR YOUTH RECREATIONAL ACTIVITIES IF THE FACILITIES ARE GENERALLY AVAILABLE FOR USE BY THE GENERAL PUBLIC BUT MAY NOT EXCEED 15 ACRES FOR A CHURCH OR 1 ACRE FOR A CLERGY RESIDENCE AFTER SUBTRACTING ANY AREA REQUIRED BY ZONING, BUILDING CODES, OR SUBDIVISION REQUIREMENTS;

(c) property owned and used exclusively for agricultural and horticultural societies, ~~for educational purposes, and~~ not operated for gain or profit;

(d) property, ~~not to exceed 80 acres~~, NOT TO EXCEED 80 ACRES, WHICH MUST BE LEGALLY DESCRIBED IN THE APPLICATION FOR THE EXEMPTION, used exclusively for educational purposes, including dormitories and food service buildings for the use of students in attendance and other structures necessary for the operation and maintenance of the educational institution, which: WHICH:

~~(i) THAT~~ (I) is not operated for gain or profit;

~~(ii) has an attendance policy; and~~

~~(iii) has a definable curriculum with systematic instruction;~~

(II) HAS AN ATTENDANCE POLICY; AND

(III) HAS A DEFINABLE CURRICULUM WITH SYSTEMATIC INSTRUCTION;

(e) property used EXCLUSIVELY for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.

~~(d)~~ (f) property that is:

- (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;
- (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and
- (iii) not maintained and not operated for ~~private or corporate~~ gain or profit;
- ~~(e)(g)~~ subject to subsection (2), property that is owned or property that is leased from a federal, state, or local governmental entity by institutions of purely public charity if the property is directly used for purely public charitable purposes;
- ~~(f)(h)~~ evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;
- ~~(g)(i)~~ public museums, art galleries, zoos, and observatories that are not ~~used or held for private or corporate~~ operated for gain or profit;
- ~~(h)(j)~~ all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;
- ~~(i)(k)~~ truck canopy covers or toppers and campers;
- ~~(j)(l)~~ a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;
- ~~(k)(m)~~ motor homes;
- ~~(l)(n)~~ all watercraft;
- ~~(m)(o)~~ motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;
- ~~(n)(p)~~ the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;
- ~~(o)(q)~~ (i) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with physical or mental impairments that constitute or result in substantial impediments to employment and that is not operated for gain or profit; and
- (ii) property that is owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

~~(p)~~(r) all farm buildings with a market value of less than \$500 and all agricultural implements and machinery with a market value of less than \$100;

~~(q)~~(s) property owned by a nonprofit corporation that is organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and that is not held or used for private or corporate gain or profit. For purposes of this subsection ~~(1)(q)~~ (1)(s), "nonprofit corporation" means an organization that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act.

~~(t)~~(t) (i) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily hand-held and that are used to:

(A) construct, repair, and maintain improvements to real property; or

(B) repair and maintain machinery, equipment, appliances, or other personal property;

(ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture, launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;

~~(u)~~(u) harness, saddlery, and other tack equipment;

~~(v)~~(v) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105;

~~(w)~~(w) timber as defined in 15-44-102;

~~(x)~~(x) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in 61-1-114, and travel trailers as defined in 61-1-131;

~~(y)~~(y) all vehicles registered under 61-3-456;

~~(z)~~(z) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors, including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and

(ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection ~~(1)(x)(i)~~ (1)(z)(i);

~~(aa)~~(aa) motorcycles and quadricycles;

~~(bb)~~ (bb) the following percentage of the market value of residential property described in 15-6-134(1)(e) and (1)(f):

(i) 31% for tax year 2003;

1 (ii) 31.4% for tax year 2004;

2 (iii) 32% for tax year 2005;

3 (iv) 32.6% for tax year 2006;

4 (v) 33.2% for tax year 2007;

5 (vi) 34% for tax year 2008 and succeeding tax years;

6 ~~(aa)~~(cc) the following percentage of the market value of commercial property as described in
7 15-6-134(1)(g):

8 (i) 13% for tax year 2003;

9 (ii) 13.3% for tax year 2004;

10 (iii) 13.8% for tax year 2005;

11 (iv) 14.2% for tax year 2006;

12 (v) 14.6% for tax year 2007;

13 (vi) 15% for tax year 2008 and succeeding tax years;

14 ~~(bb)~~(dd) personal property used by an industrial dairy or an industrial milk processor and dairy livestock
15 used by an industrial dairy;

16 ~~(cc)~~(ee) items of personal property intended for rent or lease in the ordinary course of business if each
17 item of personal property satisfies all of the following:

18 (i) the acquired cost of the personal property is less than \$15,000;

19 (ii) the personal property is owned by a business whose primary business income is from rental or lease
20 of personal property to individuals and no one customer of the business accounts for more than 10% of the total
21 rentals or leases during a calendar year; and

22 (iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;

23 ~~(dd)~~(ff) all manufacturing machinery, fixtures, equipment, and tools used for the production of ethanol
24 from grain during the course of the construction of an ethanol manufacturing facility and for 10 years after
25 completion of construction of the manufacturing facility;

26 ~~(ee)~~(gg) light vehicles as defined in 61-1-139; and

27 ~~(ff)~~(hh) the following property, except property included in 15-6-135, 15-6-137, 15-6-141, 15-6-145, and
28 15-6-156, if the tax rate in 15-6-138 reaches zero:

29 (i) all agricultural implements and equipment;

30 (ii) all mining machinery, fixtures, equipment, tools, and supplies;

(iii) all oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and similar equipment that is skidable, portable, or movable, tools, and supplies;

(iv) all manufacturing machinery, fixtures, equipment, tools, and supplies;

(v) all goods and equipment that are intended for rent or lease;

(vi) special mobile equipment as defined in 61-1-104;

(vii) furniture, fixtures, and equipment;

(viii) x-ray and medical and dental equipment;

(ix) citizens' band radios and mobile telephones;

(x) radio and television broadcasting and transmitting equipment;

(xi) cable television systems;

(xii) coal and ore haulers; and

(xiii) theater projectors and sound equipment.

(2) (a) For the purposes of subsection (1)(b), the term "clergy" means, as recognized under the federal Internal Revenue Code:

(i) an ordained minister, priest, or rabbi;

(ii) a commissioned or licensed minister of a church or church denomination that ordains ministers if the person has the authority to perform substantially all the religious duties of the church or denomination;

(iii) a member of a religious order who has taken a vow of poverty; or

(iv) a Christian Science practitioner.

~~(a)(b)~~ For the purposes of subsection ~~(1)(e)~~ (1)(g):

(i) the term "institutions of purely public charity" includes any organization that meets the following requirements:

(A) The organization offers its charitable goods or services to persons without regard to race, religion, creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal Revenue Code, as amended.

(B) The organization accomplishes its activities through absolute gratuity or grants. However, the organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public performances or entertainment or by other similar types of fundraising activities.

(ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually with the department a copy of its federal tax return reporting any unrelated business taxable income received by the charity during the tax year, together with a statement indicating whether the exempt property was used to generate any unrelated business taxable income.

~~(iii) property owned by a purely public charity is exempt at the time of its purchase even if the property must be improved before it can directly be used for its intended charitable purpose. If the property is not directly used for the charitable purpose within 8 years of receiving an exemption under this section or if the property is sold or transferred before it entered direct charitable use, the exemption is revoked and the property is taxable. In addition to taxes due on the first year the property becomes taxable, the owner of the property must SHALL pay an amount equal to the amount of the tax due that year times the number of years the property was tax-exempt under this section as reimbursement for nonpayment of taxes on the property. The reimbursement amount DUE is a lien upon the property and when collected must be distributed by the treasurer to funds and accounts in the same ratio as property tax collected on the property is distributed. AT THE TIME THE EXEMPTION IS GRANTED, THE DEPARTMENT SHALL FILE A NOTICE WITH THE CLERK AND RECORDER IN THE COUNTY IN WHICH THE PROPERTY IS LOCATED. THE NOTICE SHALL INDICATE THAT AN EXEMPTION PURSUANT TO THIS SECTION HAS BEEN GRANTED. THE NOTICE SHALL DESCRIBE THE PENALTY FOR DEFAULT UNDER THIS SECTION AND SHALL SPECIFY THAT A DEFAULT UNDER THIS SECTION WILL CREATE A LIEN ON THE PROPERTY BY OPERATION OF LAW. THE NOTICE MUST BE ON A FORM PRESCRIBED BY THE DEPARTMENT.~~

~~(iii) UP TO 15 ACRES OF PROPERTY OWNED BY A PURELY PUBLIC CHARITY IS EXEMPT AT THE TIME OF ITS PURCHASE EVEN IF THE PROPERTY MUST BE IMPROVED BEFORE IT CAN DIRECTLY BE USED FOR ITS INTENDED CHARITABLE PURPOSE. IF THE PROPERTY IS NOT DIRECTLY USED FOR THE CHARITABLE PURPOSE WITHIN 8 YEARS OF RECEIVING AN EXEMPTION UNDER THIS SECTION OR IF THE PROPERTY IS SOLD OR TRANSFERRED BEFORE IT ENTERED DIRECT CHARITABLE USE, THE EXEMPTION IS REVOKED AND THE PROPERTY IS TAXABLE. IN ADDITION TO TAXES DUE FOR THE FIRST YEAR THAT THE PROPERTY BECOMES TAXABLE, THE OWNER OF THE PROPERTY SHALL PAY AN AMOUNT EQUAL TO THE AMOUNT OF THE TAX DUE THAT YEAR TIMES THE NUMBER OF YEARS THAT THE PROPERTY WAS TAX-EXEMPT UNDER THIS SECTION. THE AMOUNT DUE IS A LIEN UPON THE PROPERTY AND WHEN COLLECTED MUST BE DISTRIBUTED BY THE TREASURER TO FUNDS AND ACCOUNTS IN THE SAME RATIO AS PROPERTY TAX COLLECTED ON THE PROPERTY IS DISTRIBUTED. AT THE TIME THE EXEMPTION IS GRANTED, THE DEPARTMENT SHALL FILE A NOTICE WITH THE CLERK AND~~

1 RECORDER IN THE COUNTY IN WHICH THE PROPERTY IS LOCATED. THE NOTICE MUST INDICATE THAT AN EXEMPTION
2 PURSUANT TO THIS SECTION HAS BEEN GRANTED. THE NOTICE MUST DESCRIBE THE PENALTY FOR DEFAULT UNDER THIS
3 SECTION AND MUST SPECIFY THAT A DEFAULT UNDER THIS SECTION WILL CREATE A LIEN ON THE PROPERTY BY OPERATION
4 OF LAW. THE NOTICE MUST BE ON A FORM PRESCRIBED BY THE DEPARTMENT.

5 ~~(b)(c)~~ For the purposes of subsection ~~(1)(g)~~ (1)(i), the term "public museums, art galleries, zoos, and
6 observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold
7 property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes
8 all real and personal property owned by the public museum, art gallery, zoo, or observatory that is reasonably
9 necessary for use in connection with the public display or observatory use. Unless the property is leased for a
10 profit to a governmental entity or nonprofit organization by an individual or for-profit organization, real and
11 personal property owned by other persons is exempt if it is:

- 12 (i) actually used by the governmental entity or nonprofit organization as a part of its public display;
- 13 (ii) held for future display; or
- 14 (iii) used to house or store a public display.

15 ~~(3)(4)~~ For the purposes of subsection ~~(1)(bb)~~ (1)(dd):

16 (a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes
17 the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products
18 solely for export from the state, either directly by the dairy or after the milk or milk product has been further
19 processed by an industrial milk processor. After export, any unprocessed milk must be further processed into
20 other dairy products.

21 (b) "industrial milk processor" means a facility and integral machinery used solely to process milk into
22 milk products for export from the state.

23 ~~(4)(5)~~ The following portions of the appraised value of a capital investment in a recognized nonfossil
24 form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are
25 exempt from taxation for a period of 10 years following installation of the property:

- 26 (a) \$20,000 in the case of a single-family residential dwelling;
- 27 (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure."

28
29 **Section 4.** Section 15-7-102, MCA, is amended to read:

30 **"15-7-102. Notice of classification and appraisal to owners -- appeals.** (1) (a) Except as provided

1 in 15-7-138, the department shall mail to each owner or purchaser under contract for deed a notice of the
2 classification of the land owned or being purchased and the appraisal of the improvements on the land only if
3 one or more of the following changes pertaining to the land or improvements have been made since the last
4 notice:

- 5 (i) change in ownership;
- 6 (ii) change in classification;
- 7 (iii) except as provided in subsection (1)(b), change in valuation; or
- 8 (iv) addition or subtraction of personal property affixed to the land.

9 (b) After the first year, the department is not required to mail the notice provided for in subsection
10 (1)(a)(iii) if the change in valuation is the result of an annual incremental change in valuation caused by the
11 phasing in of a reappraisal under 15-7-111 or the application of the exemptions under 15-6-201~~(1)(z)~~(1)(bb) and
12 ~~(1)(aa)~~ (1)(cc) or caused by an incremental change in the tax rate.

13 (c) The notice must include the following for the taxpayer's informational purposes:

- 14 (i) the total amount of mills levied against the property in the prior year; and
- 15 (ii) a statement that the notice is not a tax bill.

16 (d) Any misinformation provided in the information required by subsection (1)(c) does not affect the
17 validity of the notice and may not be used as a basis for a challenge of the legality of the notice.

18 (2) (a) Except as provided in subsection (2)(c), the department shall assign each assessment to the
19 correct owner or purchaser under contract for deed and mail the notice of classification and appraisal on a
20 standardized form, adopted by the department, containing sufficient information in a comprehensible manner
21 designed to fully inform the taxpayer as to the classification and appraisal of the property and of changes over
22 the prior tax year.

23 (b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an appeal
24 of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided in 15-1-402.

25 (c) The department is not required to mail the notice of classification and appraisal to a new owner or
26 purchaser under contract for deed unless the department has received the transfer certificate from the clerk and
27 recorder as provided in 15-7-304 and has processed the certificate before the notices required by subsection
28 (2)(a) are mailed. The department shall notify the county tax appeal board of the date of the mailing.

29 (3) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the market
30 value of the property as determined by the department or with the classification of the land or improvements,

1 the owner may request an assessment review by submitting an objection in writing to the department, on forms
2 provided by the department for that purpose, within 30 days after receiving the notice of classification and
3 appraisal from the department. The review must be conducted informally and is not subject to the contested case
4 procedures of the Montana Administrative Procedure Act. As a part of the review, the department may consider
5 the actual selling price of the property, independent appraisals of the property, and other relevant information
6 presented by the taxpayer in support of the taxpayer's opinion as to the market value of the property. The
7 department shall give reasonable notice to the taxpayer of the time and place of the review. After the review,
8 the department shall determine the correct appraisal and classification of the land or improvements and notify
9 the taxpayer of its determination. In the notification, the department shall state its reasons for revising the
10 classification or appraisal. When the proper appraisal and classification have been determined, the land must
11 be classified and the improvements appraised in the manner ordered by the department.

12 (4) Whether a review as provided in subsection (3) is held or not, the department may not adjust an
13 appraisal or classification upon the taxpayer's objection unless:

14 (a) the taxpayer has submitted an objection in writing; and

15 (b) the department has stated its reason in writing for making the adjustment.

16 (5) A taxpayer's written objection to a classification or appraisal and the department's notification to the
17 taxpayer of its determination and the reason for that determination are public records. The department shall
18 make the records available for inspection during regular office hours.

19 (6) If any property owner feels aggrieved by the classification or appraisal made by the department after
20 the review provided for in subsection (3), the property owner has the right to first appeal to the county tax appeal
21 board and then to the state tax appeal board, whose findings are final subject to the right of review in the courts.
22 The appeal to the county tax appeal board must be filed within 30 days after notice of the department's
23 determination is mailed to the taxpayer. A county tax appeal board or the state tax appeal board may consider
24 the actual selling price of the property, independent appraisals of the property, and other relevant information
25 presented by the taxpayer as evidence of the market value of the property. If the county tax appeal board or the
26 state tax appeal board determines that an adjustment should be made, the department shall adjust the base
27 value of the property in accordance with the board's order."

28
29 **Section 5.** Section 15-8-111, MCA, is amended to read:

30 **"15-8-111. Assessment -- market value standard -- exceptions.** (1) All taxable property must be

1 assessed at 100% of its market value except as otherwise provided.

2 (2) (a) Market value is the value at which property would change hands between a willing buyer and
3 a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of
4 relevant facts.

5 (b) If the department uses construction cost as one approximation of market value, the department shall
6 fully consider reduction in value caused by depreciation, whether through physical depreciation, functional
7 obsolescence, or economic obsolescence.

8 (c) If the department uses the capitalization of net income method as one approximation of market value
9 and sufficient, relevant information on comparable sales and construction cost exists, the department shall rely
10 upon the two methods that provide a similar market value as the better indicators of market value.

11 (d) Except as provided in subsection (3), the market value of special mobile equipment and agricultural
12 tools, implements, and machinery is the average wholesale value shown in national appraisal guides and
13 manuals or the value before reconditioning and profit margin. The department shall prepare valuation schedules
14 showing the average wholesale value when a national appraisal guide does not exist.

15 (3) The department may not adopt a lower or different standard of value from market value in making
16 the official assessment and appraisal of the value of property, except:

17 (a) the wholesale value for agricultural implements and machinery is the average wholesale value
18 category as shown in Guides 2000, Northwest Region Official Guide, published by the North American
19 equipment dealers association, St. Louis, Missouri. If the guide or the average wholesale value category is
20 unavailable, the department shall use a comparable publication or wholesale value category.

21 (b) for agricultural implements and machinery not listed in an official guide, the department shall prepare
22 a supplemental manual in which the values reflect the same depreciation as those found in the official guide;
23 and

24 (c) as otherwise authorized in Titles 15 and 61.

25 (4) For purposes of taxation, assessed value is the same as appraised value.

26 (5) The taxable value for all property is the percentage of market or assessed value established for each
27 class of property.

28 (6) The assessed value of properties in 15-6-131 through 15-6-134, 15-6-143, and 15-6-145 is as
29 follows:

30 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after

deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515, 15-23-516, 15-23-517, or 15-23-518.

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-134, under class four, are assessed at the applicable percentage of market value minus any portion of market value that is exempt from taxation under 15-6-201~~(1)(z)~~(1)(bb) and ~~(1)(aa)~~ (1)(cc).

(e) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value of the land when valued as forest land.

(f) Railroad transportation properties in 15-6-145 are assessed based on the valuation formula described in 15-23-205.

(7) Land and the improvements on the land are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town."

Section 6. Section 15-32-405, MCA, is amended to read:

"15-32-405. Exclusion from other tax incentives. If a credit is claimed for an investment pursuant to this part, no other state energy or investment tax credit, including but not limited to the tax credits allowed by 15-31-124 and 15-31-125, may be claimed for the investment. Property tax reduction allowed by 15-6-201~~(4)~~(5) may not be applied to a facility for which a credit is claimed pursuant to this part."

~~**Section 7.** Section 61-3-301, MCA, is amended to read:~~

~~**"61-3-301. Registration -- license plate required -- display.** (1) Except as otherwise provided in this chapter, a person may not operate a motor vehicle upon the public highways of Montana unless the vehicle is properly registered and has the proper number plates conspicuously displayed, one on the front and one on the rear of the vehicle, each securely fastened to prevent it from swinging and unobstructed from plain view, except that vehicles authorized to display demonstrator plates under 61-4-125 or 61-4-129 may have only one number~~

plate conspicuously displayed on the rear. A person may not display on a vehicle at the same time a number assigned to it under any motor vehicle law except as provided in this chapter. A junk vehicle, as defined in Title 75, chapter 10, part 5, being driven or towed to an auto wrecking graveyard for disposal is exempt from the provisions of this section.

(2) A person may not purchase or display on a vehicle a license plate bearing the number assigned to any county, as provided in 61-3-332, other than the county of the person's permanent residence at the time of application for registration. However, the owner of a motor vehicle requiring a license plate on a motor vehicle used in the public transportation of persons or property may make application for the license in any county through which the motor vehicle passes in its regularly scheduled route, and the license plate issued bearing the number assigned to that county may be displayed on the motor vehicle in any other county of the state.

(3) It is unlawful to:

(a) display license plates issued to one vehicle on any other vehicle, trailer, or semitrailer unless legally transferred as provided by statute;

(b) repaint old license plates to resemble current license plates; or

(c) display a prior design of number plates issued under 61-3-332(4)(a) or special license plates issued under 61-3-332(10) or 61-3-421 more than 18 months after a new design of number plates or special license plates has been issued, except as provided in 61-3-332(4)(c) and (4)(d), 61-3-448, or 61-3-468.

(4) This section does not apply to a vehicle exempt from taxation under 15-6-215 or subject to the registration fee or fee in lieu of tax under 61-3-520.

(5)(4) A person violating these provisions is guilty of a misdemeanor and is subject to the penalty prescribed in 61-3-601.

(6)(5) For the purposes of this section, "conspicuously displayed" means that the required license plates are obviously visible and firmly attached to:

(a) the front and the rear bumper of a motor vehicle equipped with front and rear bumpers; or

(b) other clearly visible locations on the front and the rear exteriors of a motor vehicle."

Section 8. Section 61-3-503, MCA, is amended to read:

"61-3-503. Assessment. (1) Except as provided in 61-3-520 and subsection (4) of this section, the following apply to the taxation of motor vehicles:

(a) For the purposes of imposing the local option vehicle tax under 61-3-537, light vehicles subject to

~~the provisions of 61-3-313 through 61-3-316 must be assessed as of the first day of the registration period, using the depreciated value of the manufacturer's suggested retail price as determined in subsection (2):~~

~~(b) A lien for taxes and fees due on the vehicle occurs on the anniversary date of the registration and continues until the fees and taxes have been paid. If the depreciated value is less than \$500, the department shall value the vehicle at \$500.~~

~~(2) (a) Except as provided in subsections (2)(c) and (2)(d), the depreciated value for the taxation of light vehicles is computed by multiplying the manufacturer's suggested retail price by a percentage multiplier based on the type and age of the vehicle determined from the following table:~~

Age of Vehicle (in years)	Type of Vehicle			
	Automobile	Truck	Van	Sport Utility
-1	100%	100%	100%	100%
0	90	96	93	98
1	80	91	86	94
2	69	86	78	90
3	58	80	69	84
4	49	73	60	76
5	41	66	52	67
6	33	57	45	57
7	26	49	38	48
8	21	43	32	39
9	17	37	27	33
10	14	31	22	29
11	12	26	18	25
12	10	22	15	22
13	09	18	13	21
14	09	15	11	19
15	09	13	09	17
16	09	12	09	15

~~(b) The age for the light vehicle is determined by subtracting the manufacturer's model year of the vehicle from the calendar year for which the tax is due.~~

1 ~~—— (c) If the value of the vehicle determined under subsection (2)(a) is \$500 or less, the value of the vehicle~~
2 ~~is \$500 and the value must remain at that amount as long as the vehicle is registered.~~

3 ~~—— (d) The depreciated value of a light vehicle that is 17 years old or older is computed by depreciating the~~
4 ~~value obtained for the vehicle at 16 years old, as determined under subsection (2)(a), by 10% a year until a~~
5 ~~minimum value of \$500 is attained. The value must remain at that amount as long as the vehicle is registered.~~

6 ~~—— (3) (a) For the purposes of this section, "manufacturer's suggested retail price" means the price~~
7 ~~suggested by the manufacturer for each given type, style, or model of light vehicle produced and first made~~
8 ~~available for retail sale by the manufacturer.~~

9 ~~—— (b) The manufacturer's suggested retail price is based on standard equipment of a vehicle and does~~
10 ~~not contain price additions or deductions for optional accessories.~~

11 ~~—— (c) When a manufacturer's suggested retail price is unavailable for a motor vehicle, the department shall~~
12 ~~determine an alternative valuation for the vehicle.~~

13 ~~—— (4) The provisions of subsections (1) through (3) do not apply to buses, trucks having a manufacturer's~~
14 ~~rated capacity of more than 1 ton, truck tractors, motorcycles, motor homes, quadricycles, travel trailers,~~
15 ~~campers, mobile homes or manufactured homes as those terms are defined in 15-1-101(1)."~~

16
17 ~~—— **Section 9.** Section 61-3-506, MCA, is amended to read:~~

18 ~~—— **"61-3-506. Rules.** The department of justice may adopt rules:~~

19 ~~—— (1) for the assessment and collection of taxes and registration fees under 61-3-560 through 61-3-562,~~
20 ~~including the proration of fees under 61-3-520, on light vehicles, including criteria for determining the vehicle's~~
21 ~~age;~~

22 ~~—— (2) for the imposition and collection of fees in lieu of tax, including the proration of fees in lieu of tax~~
23 ~~under 61-3-520, on buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors,~~
24 ~~including criteria for determining the vehicle's age and manufacturer's rated capacity; and~~

25 ~~—— (3) for the administration of fees for trailers, pole trailers, and semitrailers, including criteria for~~
26 ~~determining a trailer's age and weight."~~

27
28 ~~—— **Section 10.** Section 61-3-529, MCA, is amended to read:~~

29 ~~—— **"61-3-529. Schedule of fees for buses, motor vehicles having rated capacity of more than 1 ton,**~~
30 ~~**and truck tractors -- proration -- exemption.** (1) (a) There is a fee in lieu of property tax imposed on buses,~~

~~trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors. The fee is in addition to annual registration fees.~~

~~———— (b) The fee imposed by subsection (1)(a) is not required to be paid by a dealer of buses, trucks, or truck tractors that constitute inventory of the dealership.~~

~~———— (2) Subject to the conditions of subsection (4), the owner of a bus, truck with a manufacturer's rated capacity of more than 1 ton, or truck tractor shall pay a fee in lieu of tax based on the age and manufacturer's rated capacity of the vehicle according to the following schedule:~~

Age of Vehicle	Rated Capacity (in pounds)			
(in years)	16,999 or less	17,000-26,999	27,000-54,999	55,000 or more
1 or less	\$117	\$167	\$284	\$375
2	109	150	250	300
3	100	134	220	266
4	92	117	184	242
5	83	109	160	195
6	75	100	134	167
7	66	91	117	147
8	58	83	100	125
9	50	75	92	109
10	41	58	79	92
11-12	33	50	67	76
13-14	28	37	52	61
15-16	25	30	38	47
17-18	18	26	29	36
19-20	13	19	22	26
21 or more	10	12	16	20

~~———— (3) The age of the vehicle is determined by subtracting the manufacturer's model year of the vehicle from the calendar year for which the fee in lieu of tax is due.~~

~~———— (4) (a) The manufacturer's rated capacity for a bus or truck with a manufacturer's rated capacity of more than 1 ton is the manufacturer's rated gross vehicle weight.~~

~~———— (b) The manufacturer's rated capacity for a truck tractor is the manufacturer's rated gross combined~~

weight.

~~(5) A motor vehicle brought into the state or otherwise used for the exclusive purpose of filming motion pictures or television commercials is exempt from the fee in lieu of tax if the vehicle does not remain in the state for a period in excess of 180 consecutive days in a calendar year.~~

~~(6)(5) Except as provided in 61-3-520, the The fee in lieu of tax on a vehicle subject to this section that is brought or driven into this state by a nonresident person for hire, compensation, or profit must be prorated according to the ratio that the remaining number of months in the year bears to the total number of months in the year.~~

~~(7)(6) (a) The fee in lieu of tax on a vehicle subject to this section that is registered in the state for the first time must be prorated as provided in subsection (6) (5).~~

~~(b) The fee in lieu of tax on a vehicle subject to this section that is reregistered in the state is for a full year.~~

~~(8)(7) The fee in lieu of tax may not be refunded."~~

Section 7. Section 61-3-560, MCA, is amended to read:

"61-3-560. Light vehicle registration fee -- exemptions -- 24-month registration. (1) Except as provided in subsections (2) and (3), there is a registration fee imposed on light vehicles. The registration fee is in addition to other annual registration fees.

(2) The following vehicles are exempt from the fee imposed in subsection (1):

(a) light vehicles that meet the description of property exempt from taxation under 15-6-201(1)(a), (1)(c) through ~~(1)(e)~~ (1)(g), (1)(g) (1)(i), (1)(m) (1)(o), (1)(o) (1)(q), (1)(q) (1)(s), or (1)(w) (1)(y)., ~~or 15-6-203, or 15-6-215, except as provided in 61-3-520, OR 15-6-215, EXCEPT AS PROVIDED IN 61-3-520;~~

(b) a light vehicle owned by a person eligible for a waiver of registration fees under 61-3-460;

(c) a light vehicle registered under 61-3-456.

(3) A dealer for light vehicles is not required to pay the registration fee for light vehicles that constitute inventory of the dealership and that are reported under 61-3-501.

(4) The owner of a light vehicle subject to the provisions of 61-3-313 through 61-3-316 may register the light vehicle for a period not to exceed 24 months. The application for registration or reregistration must be accompanied by the registration fee and all other fees required in this chapter for each 12-month period of the 24-month period. However, the registration fees required under 61-3-321(1)(a) or (1)(b) paid at the time of

1 registration or reregistration apply for the entire registration period."

2
3 **Section 8.** Section 61-10-214, MCA, is amended to read:

4 **"61-10-214. Exemptions.** (1) Motor vehicles operating exclusively for transportation of persons for hire
5 within the limits of incorporated cities or towns and within 15 miles from the limits are exempt from this part.

6 (2) Motor vehicles brought or driven into Montana by a nonresident, migratory, bona fide agricultural
7 worker temporarily employed in agricultural work in this state when those motor vehicles are used exclusively
8 for transportation of agricultural workers are exempt from this part.

9 (3) Vehicles lawfully displaying a dealer's or wholesaler's plate as provided in 61-4-102 and 61-4-125
10 are exempt from this part for a period not to exceed 7 days when moving to or from a dealer's or wholesaler's
11 place of business when unloaded or loaded with dealer's or wholesaler's property only or while being
12 demonstrated in the course of the dealer's or wholesaler's business. Vehicles being demonstrated may not be
13 leased, rented, or operated for compensation by the licensed dealer or wholesaler.

14 (4) Vehicles exempt from property tax under 15-6-201(1)(a), (1)(c) through ~~(1)(e)~~ (1)(g), ~~(1)(g)~~ (1)(i),
15 ~~(1)(e)~~ (1)(g), ~~(1)(e)~~ (1)(s), and ~~(1)(v)~~ (1)(x) are exempt from this part. The department of transportation may
16 require documentation of tax-exempt status from the department of revenue before granting this exemption."

17
18 ~~NEW SECTION. Section 13. Repealer. Sections 15-6-215, 15-24-305, 61-3-507, and 61-3-520, MCA,~~
19 ~~are repealed.~~

20
21 NEW SECTION. SECTION 9. EFFECTIVE DATE. [THIS ACT] IS EFFECTIVE ON PASSAGE AND APPROVAL.

22
23 NEW SECTION. Section 10. ~~Applicability~~ RETROACTIVE APPLICABILITY. [This act] applies to tax years
24 ~~beginning~~ RETROACTIVELY, WITHIN THE MEANING OF 1-2-109, TO PROPERTY TAX EXEMPTION APPLICATIONS MADE after
25 December 31, ~~2005~~ 2004.

26 - END -